

**SOUTH CAROLINA DEPARTMENT OF MENTAL HEALTH**

**AGREED UPON PROCEDURES REPORT**

**JUNE 30, 2011**

*State of South Carolina*



*Office of the State Auditor*

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May 24, 2012

The Honorable Nikki R. Haley, Governor  
and  
Members of the Commission  
South Carolina Department of Mental Health  
Columbia, South Carolina

This report on the application of certain agreed-upon procedures to the accounting records of the South Carolina Department of Mental Health for the fiscal year ended June 30, 2011, was issued by WebsterRogers, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/cwc

**SOUTH CAROLINA DEPARTMENT OF MENTAL HEALTH**  
**Columbia, South Carolina**

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## Independent Accountants' Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., CPA  
Interim State Auditor  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing board and management of the South Carolina Department of Mental Health and the South Carolina Office of the State Auditor (the specified parties), solely to assist you in evaluating the performance of the South Carolina Department of Mental Health (the Department) for the fiscal year ended June 30, 2011, in the areas addressed. The Department's management is responsible for its financial records, internal controls, and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### 1. Cash Receipts and Revenues

- We inspected 25 recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations.
- We inspected 25 recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current year recorded revenues at the subfund and account level from sources other than State General Fund appropriations to those of prior year. We investigated changes in the general, earmarked, and federal funds to ensure that revenue was classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels of \$1,900 in the general fund, \$300,000 in the earmarked fund, and \$22,000 in the federal fund and  $\pm 10\%$ .

The individual transactions selected were chosen judgmentally. We found no exceptions as a result of the procedures.

### 2. Non-Payroll Disbursements and Expenditures

- We inspected 25 recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, were paid in conformity with State laws and regulations, and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.

## **2. Non-Payroll Disbursements and Expenditures (Continued)**

- We inspected 25 recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared current year expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked, and federal funds to ensure the expenditures were properly classified in the Department's accounting records. The scope was based on agreed upon materiality levels of \$210,000 for the general fund, \$270,000 for the earmarked fund, and \$20,000 for the federal fund and  $\pm 10\%$ .

The individual transactions selected were chosen judgmentally. We found no exceptions as a result of the procedures.

## **3. Payroll Disbursements and Expenditures**

- We inspected 25 payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Department's policies and procedures and State regulations.
- We inspected payroll transactions for 5 new employees and 5 who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Department's policies and procedures, that the employee's first and/or last pay check was properly calculated, and that the employees leave payout was properly calculated in accordance with applicable State law.
- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels of \$210,000 for the general fund, \$270,000 for the earmarked fund, and \$20,000 for the federal fund and  $\pm 10\%$ .
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of  $\pm 5\%$  to ensure that payroll expenditures were classified properly in the Department's accounting records.

The individual transactions were chosen randomly. We found no exceptions as a result of the procedures.

## **4. Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected 10 recorded journal entries, 5 recorded operating transfers, and 5 recorded appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transaction was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the Department's policies and procedures and State regulations.

The individual transactions were chosen judgmentally. We found no exceptions as a result of the procedures.

## **5. General Ledger and Subsidiary Ledgers**

- We inspected selected entries and monthly totals in the subsidiary records of the Department to determine if the amounts were mathematically accurate, the selected monthly totals were accurately posted to the general ledger, and selected entries were processed in accordance with the Department's policies and procedures and State regulations.

The transactions were chosen judgmentally. We found no exceptions as a result of the procedures.

## **6. Composite Reservoir Accounts**

### Reconciliations

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2011, and inspected selected reconciliations of balances in the Department's accounting records to those on the State Treasurer's Office monthly reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Department's general ledger, determined if reconciling differences were adequately explained and properly resolved, and determined, if necessary, adjusting entries were made in the Department's accounting records.

### Cash Receipts and Revenues

- We inspected 5 recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations.
- We inspected 5 recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law. We obtained all monthly reconciliations prepared by the Department.

### Non-Payroll Disbursements and Expenditures

- We inspected 5 recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department and were paid in conformity with State laws and regulations if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected 5 recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.

The reconciliations selected were chosen randomly. The cash receipts and non-payroll disbursements were chosen judgmentally. We found no exceptions as a result of the procedures.

## **7. Appropriation Act**

- We inspected Department documents, observed processes, and/or made inquiries of Department personnel to determine the Department's compliance with Appropriation Act general and Department specific provisos.

We found no exceptions as a result of the procedures.

## 8. Closing Packages

- We obtained copies of all closing packages as of and for the year ended June 30, 2011, prepared by the Department and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's *GAAP Closing Procedures Manual* requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

## 9. Schedule of Federal Financial Assistance

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2011, prepared by the Department and submitted to the State Auditor. We inspected the schedule of federal financial assistance to determine if it was prepared in accordance with the State Auditor's letter of instruction and if the amounts agreed with the supporting workpapers and accounting records.

We found no exceptions as a result of the procedures.

## 10. Status of Prior Findings

- We inquired about the status of the findings reported in the Accountant's Comments section of the Independent Accountant's Report on the Department resulting from their engagement for the fiscal year ended June 30, 2007, to determine if the Department had taken corrective action. We applied no procedures to the Department's accounting records and internal controls for the years ended June 30, 2010, 2009 and 2008.

We found no exceptions as a result of the procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor, the governing body and management of the South Carolina Department of Mental Health, and the South Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Columbia, South Carolina  
May 15, 2012

**ACCOUNTANTS' COMMENTS**

## **SECTION A – STATUS OF PRIOR FINDINGS**

During the current engagement, we reviewed the status of corrective action taken on findings reported in the Accountants' Comment section of the Independent Accountants' Report on the Department for the fiscal year ended June 30, 2007, and dated June 20, 2008. We applied no procedures to the Department's accounting records and internal controls for the years ended June 30, 2010, 2009 and 2008. We determined the Department has taken adequate corrective action on each of the findings.